

Message Text

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ACTION AF-18

INFO OCT-01 EUR-25 ISO-00 AID-20 CIAE-00 COME-00 EB-11

FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12

SP-03 CIEP-02 LAB-06 SIL-01 OMB-01 DRC-01 L-03 H-03

PA-04 PRS-01 USIA-15 NSC-07 SS-20 STR-08 CEA-02 PM-07

MC-02 /193 W

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R 141021Z JUN 74

FM AMEMBASSY PRETORIA

TO SECSTATE WASHDC 0058

INFO AMEMBASSY BERN

AMEMBASSY LONDON

AMCONSUL CAPE TOWN

AMCONSUL DURBAN

AMCONSUL JOHANNESBURG

LIMITED OFFICIAL USE PRETORIA 2550

E.O. 1652: N/A

TAGS: EFIN, SF

SUBJECT: SOUTH AFRICAN GOLD AND FOREIGN EXCHANGE RESERVES, MAY 1974

REF: PRETORIA 2039

1. SOUTH AFRICAN RESERVE BANK HOLDINGS FOR WEEKS ENDING MAY 3, 10,
17, 24 AND 31 AS FOLLOWS (IN MILLION RAND):

	GOLD	FOREIGN EXCHANGE	TOTAL
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MAY 3	543.5 (DOWN 1.0)	288.3 (DOWN 20.0)	831.8 (DOWN 21.0)
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MAY 10	543.7 (UP 0.2)	293.2 (UP 4.9)	836.9 (UP 5.1)
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MAY 17	544.0 (UP 0.3)	333.7 (UP 40.5)	877.7 (UP 40.8)
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MAY 24	544.0 (NO CHANGE)	314.9 (DOWN 18.8)	858.9 (DOWN 18.8)
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MAY 31	543.9 (DOWN 0.1)	255.6 (DOWN 59.3)	799.5 (DOWN 59.4)
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2. THE DOWNWARD TREND CONTINUED IN MAY, APPARENTLY AS A RESULT OF RACKETING IMPORTS, COOLING OFF OF THE GOLD MARKET AND A NET OUTFLOW OF SHORT-TERM CAPITAL. ACCORDING TO THE FINANCIAL MAIL, TALK IN BANKING CIRCLES IS THAT FOREIGN FINANCIAL INSTITUTIONS PLACED FUNDS IN TRANSFERABLE ACCOUNTS IN SA EARLIER IN YEAR WHEN PROSPECTS OF RAND REVALUATION APPEARED IMMINENT. AS GOLD BOOM SHOWED SIGNS OF FADING, FOREIGN INSTITUTIONS BEGAN WITHDRAWING CASH. ALTHOUGH AMOUNTS NOT KNOWN, THESE WITHDRAWALS SAID TO BE PARTLY THE REASON FOR SLIDE IN RESERVES. SUDDEN SURGE IN WEAPONS PURCHASES IN WAKE OF FRENCH ELECTIONS ALSO REPORTED TO BE A FACTOR.

3. MEANWHILE, WEIGHTED VALUE OF RAND IS NOW ONLY 2-3 PERCENT ABOVE LEVEL IMMEDIATELY FOLLOWING JUNE 1973 REVALUATION OF 5 PERCENT. AT ITS PEAK EARLIER IN YEAR IT STOOD APPROXIMATELY 8 PERCENT ABOVE JUNE VALUE. THIS HAS PRECIPITATED SUGGESTION THAT RAND BE CUT LOOSE FROM DOLLAR IN ORDER PROTECT IT FROM DOLLAR FLUCTUATIONS. RESERVE BANK POSITION IS THAT RELATIVELY STABLE DOLLAR PEG STILL OFFERS MORE ADVANTAGES THAN DISADVANTAGES. HOWEVER, FLUCTUATION IN DOLLAR VALUE OF 5-10 PERCENT IN EITHER DIRECTION AGAINST KEY OVERSEAS CURRENCIES COULD WELL RESULT IN ANOTHER DOLLAR-RAND ADJUSTMENT.
HURD

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